

New Funding Advisory Group Findings

Washington Chronic Care Management and Long Term Care
Financing Task Force

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New Funding Advisory Group Charge

Deliver recommendations to the Task Force on feasible options the State can use to promote the ability of individuals to pay for their long-term care needs and identify sustainable funding models which will allow the State to provide client-choice and deliver quality long-term care services to individuals.

Financing Options Considered by Group

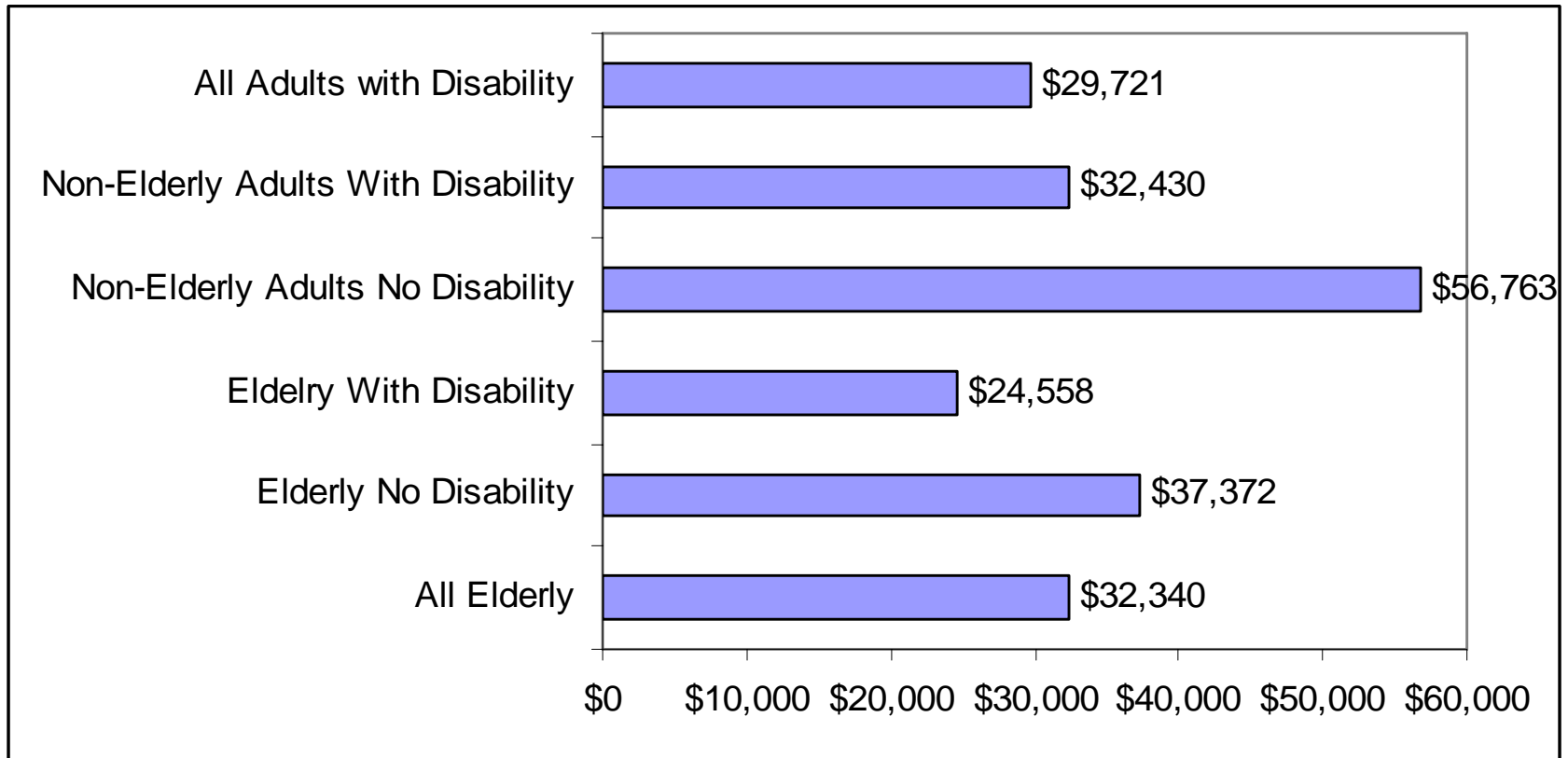
Private Financing Options in 2SHB 1220

- ◆ Adequacy of personal savings and pensions
- ◆ Availability of family care and financial support
- ◆ Creative community-based strategies or partnerships
- ◆ Enhanced health insurance options
- ◆ Long term care insurance options
- ◆ Life insurance annuities
- ◆ Reverse mortgage and other home equity products

Social Insurance

Resources Available to Washingtonians

Average Annual Income Per Household in Washington, 2003



Source: American Community Survey, 2004.

Remaining Lifetime Use of LTC by People Turning 65 in 2005

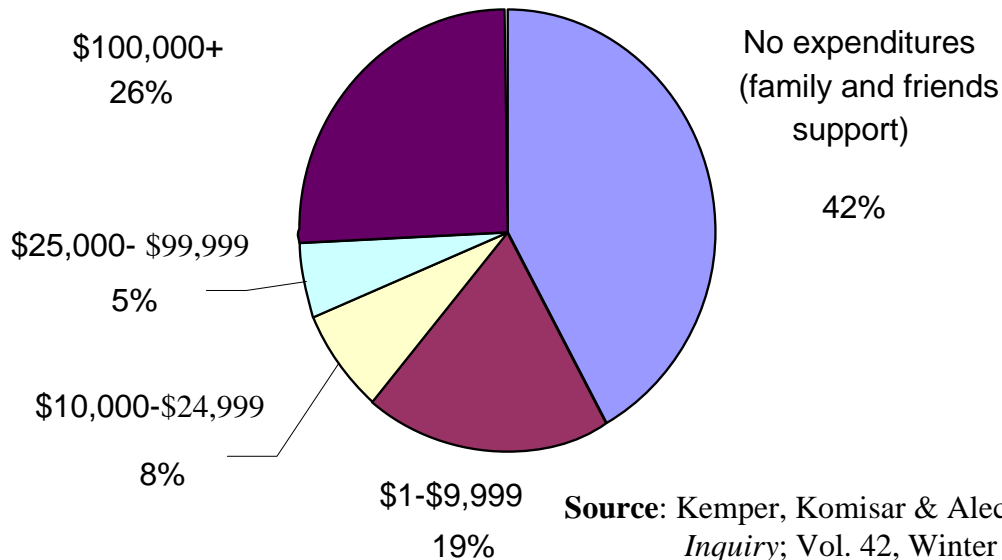
Type of Care	Average Years of Care	% of People Using Type of Care
All LTC need	3.0	69
At home		
Informal care only	1.4	59
Formal care	0.5	42
Any care at home	1.9	65
In facilities		
Nursing facilities	0.8	35
Assisted living	0.3	13
Any care in facilities	1.1	37

Source: Kemper, Komisar & Alecxih; *Inquiry*; Vol. 42, Winter 2005/2006.

While Most Could Save Enough, Over 25% Face Expenses Over \$100,000

- ◆ Washington elderly average income = \$42,696 and home value = \$242,000 (total value not equity) – financial assets unknown

Distribution of Lifetime Expenditures After Age 65



Source: Kemper, Komisar & Alecxih;
Inquiry; Vol. 42, Winter 2005/2006.

**Average U.S.
lifetime per capita
at age 65 =
\$47,000**

Developing Consensus on Principles/Approaches

- ◆ Distributed survey June 30th
- ◆ 12 respondents out of 25
- ◆ Indicated whether each of eight items were:
 - Essential to success (yes/no)
 - Degree of agreement with item (strongly agree to strongly disagree)
- ◆ Ranked items
 - Sum of rankings provided overall rank
- ◆ Alternatives also discussed at meetings

Adequacy of Personal Savings & Pensions Background

- ◆ Personal financial contributions for supportive services :
 - Among older adults, account for about half of total funding
 - Often help avoid Medicaid financing (50% of NF admits)
 - 40% of elderly Medicaid beneficiaries spend down to Medicaid
 - Spenddown happens relatively quickly in nursing facilities (national estimates)
 - 20% of all admissions
 - 25- 36% occurring during the 1st three months
 - 50-75% within the first year
 - Spenddowners still pay for about 25% of their care

Adequacy of Personal Savings & Pensions Recommendations

- ◆ Likely need different strategies aimed at:
 - Younger healthy individuals
 - Individuals with disabilities
 - Older adults
- ◆ Survey Results & Group Discussion
 - Personal savings and annuities were lowest ranking, considered the least essential, and few strongly agreed they would make a difference
 - Concern about recent trends related to decreasing pension plans, less home equity being established, and increasing levels of personal debt during later years of life making personal savings a difficult approach

Life Insurance Annuities

Background

- ◆ House pension reform bill, H.R. 2830, the Pension Protection Act, passed August 2006:
 - Allows individuals to add a long-term care insurance rider to an annuity
 - Clarifies that individuals can purchase policies that combine long-term care and life insurance, and
 - Updates the tax code to include long-term care insurance contracts and riders among the insurance products that can be exchanged on a tax-deferred basis starting in 2010
 - Such transactions previously were taxed as high as 35%.

Life Insurance Annuities Recommendations

- ◆ Possible new product -- trading lower annuity payouts while healthy for greater payouts when disabled
- ◆ Survey Results & Group Discussion
 - Personal savings and annuities were lowest ranking, considered the least essential, and few strongly agreed they would make a difference
 - Concern about recent trends related to decreasing pension plans, less home equity being established, and increasing levels of personal debt during later years of life making personal savings a difficult approach

Family Care and Financial Support Background

- ◆ Family caregivers provide the majority of community-based care
 - Among elderly in community, 90 percent of those with disabilities get informal care
 - About 1/3 receive paid care, much of it through Medicare
 - Individuals with developmental disabilities are less likely to marry and therefore most lack spousal support
 - Among unmarried under age 25, nearly 40% live with a single parent or other relative
 - Among adults, 60% live with relatives
- ◆ In Washington, 600,000 caregivers in 2000 providing an estimated 611 million hours of care
- ◆ All seven Medicaid HCBS waivers include respite care
- ◆ Families also contribute financial resources in a variety of ways
 - Directly pay for support services
 - Defray household maintenance costs
 - Purchase long term care insurance for parents
- ◆ Providing even small amounts of support at the right time can prevent the collapse of unpaid support systems
 - Respite, support groups, information and assistance

Family Care and Financial Support Recommendations

◆ Survey Results & Group Discussion

- Supporting family caregivers and social insurance both ranked high, were considered essential and 1/2 strongly agreed that they would make a difference
- Support caregivers by increasing respite, caregiver training and support groups

Community-Based Strategies/Partnerships Background

- ◆ The range of needs of individuals with chronic disease and disabilities requires a holistic approach
- ◆ Partnerships become the means for bringing together the necessary resources and expertise
 - Combining housing with services
 - Developing affordable and accessible housing
 - Bringing together the aging and disability networks to provide enhanced information, referral and assistance
 - Providing assistive technology
 - Chronic care management strategies across both acute and social service settings

Community-Based Strategies/Partnerships Recommendations

- ◆ Survey Results & Group Discussion
 - Ranked high; considered essential, but fewer strongly agreed they would make a difference

Enhanced Health Insurance Options Background

- ◆ Both managed care companies and fee-for-service insurers employ disease management strategies
 - Often disease specific and telephone based
 - Others focus on high cost cases irrespective of the cause
- ◆ Some employers offer financial incentives for employees to adopt healthy behaviors
 - Straight bonuses
 - Contributions to an employee's health savings account or health reimbursement account
 - Reductions in an employee's monthly contribution to the health premium
 - Gym memberships
 - Provided in exchange for meeting specific goals
 - Taking a health risk assessment
 - Entering a disease management program
 - Exercising for a certain amount of time per week
 - Participating in a smoking cessation program or not smoking

Washington Examples of Capitated CCM

- ◆ Washington Medicaid Integration Partnership
 - 24-hour toll-free nurse advice line and Care coordination
 - Health education for diabetes and heart disease
 - Smoking cessation
- ◆ PACE
 - Adult day care for centralized client service delivery with interdisciplinary team approach
 - Integration of medical, long-term care, alcohol and substance abuse treatment, and mental health services
- ◆ Pursuing Perfection in Whatcom County
 - Teach FFS clients to “self-manage” chronic conditions of diabetes and congestive heart failure
 - Assist clients improve health habits
 - Manage hard to reach, high-risk, high cost populations with diabetes and congestive heart failure
 - Service coordination across providers through case managers and shared electronic records and care plans
- ◆ Intensive Chronic Care Management
 - RN case management to integrate acute and LTC services for high cost cases (>\$10,000)
 - Assessment and interventions that promote healthy outcomes and reduces medical interactions as well as risk to the client
 - Facilitate the use of data warehouses and IT to speed care and provide quality interventions

Enhanced Health Insurance Options Recommendations

- ◆ Survey Results & Group Discussion
 - Ranked high; considered essential, but fewer strongly agreed they would make a difference
 - Minimal discussion during New Funding meetings, but covered by Chronic Care Management Group and received favorably

Long Term Care Insurance Options

Background

- ◆ In Washington, 105,515 policyholders (4.6% of people age 45+) paid \$1.54B in premiums and \$560M in benefits in 2005
- ◆ Policies more affordable at younger ages
 - Age 40 - \$890, Age 50 - \$1,135, Age 65 - \$2,350, Age 79 - \$7,570
- ◆ Not available to those who already have a disability
- ◆ Policy features and low market penetrations result in LTCI policies financing less than 5% of services

Long Term Care Insurance Options Recommendation

- ◆ Encouraging purchase of LTCI and improving policy features
 - Among younger individuals -- employer-sponsored plans
 - LTC Partnership policies -- Medicaid asset protection
 - Low to moderate income and enhanced policies
 - Requires changes to regulation
 - Improve regulation of products per AARP report and ensure coverage for adult family homes
- ◆ Survey Results & Group Discussion
 - Ranked in middle of options; generally considered essential, but concern expressed about their feasibility and/or ability to make a difference

Reverse Mortgage & Home Equity Products Background

- ◆ Washington home value among 65+ owners = \$90B
 - Average \$260,000 per household age 65+
 - Equity would be somewhat less, but __ own home outright
- ◆ Home equity of \$122,800 allows
 - \$80,580 reverse mortgage available to fund needed services
 - \$44,130 remaining home value
- ◆ Barriers to overcome:
 - Fixed costs associated with loans that constitute a high percentage of modest home values
 - Complexity of the product
 - Desire to leave home as inheritance

Reverse Mortgage & Home Equity Products Recommendations

◆ Survey Results & Group Discussion

- Ranked in middle of options; generally considered essential, but concern expressed about their feasibility and/or ability to make a difference
- Some objections to encouraging moderate income individuals who's only asset may be their home to use it to finance long term care needs

Social Insurance Background

- ◆ Broad risk pool for individuals needing long term care services and provide support for those who qualify without a means-test
 - Everyone pays something into the program's fund (usually through an insurance premium and/or a designated tax) and then earns the right to benefits under specified conditions
- ◆ Advantages
 - Universal coverage
 - Protection against catastrophic out-of-pocket costs
 - Broad political support
 - Ability to develop a more balanced delivery system
 - Reduction of the current two-class system of care
 - Market power to negotiate favorable payment rates
- ◆ Disadvantages
 - High additional public cost that will continue to increase as the population ages
 - Further burdens today's younger generation to support primarily older beneficiaries (through payroll taxes)
 - Provides benefits to upper-income people who can pay for their own care
 - Potential inflexibility of a primarily government-based program.

Social Insurance Recommendations

◆ Survey Results & Group Discussion

- Supporting family caregivers and social insurance both ranked high, were considered essential and 1/2 strongly agreed that they would make a difference
- Needs to avoid unintentionally destroying non-paid caregiving as a result of paying relatives for care through the social insurance benefit or incentives to promote greater family care and support
 - Credits accrued for caregiving usable for own care through the social insurance system or as contribution to copays.
- Benefit trigger issues raised
 - Some concern about using ADLs as triggers for benefits versus supporting early intervention and disease management
 - Triggers should be used as part of benefit access to advance the movement of persons to most appropriate settings as needs justify

Social Insurance Decision Elements

- ◆ Eligibility criteria (e.g., level of disability and populations covered)
- ◆ Services/benefit covered
- ◆ Benefit levels and allocations
- ◆ Mandatory/voluntary
- ◆ Portability
- ◆ Residency requirement
- ◆ Funding mechanism and collection – age or other requirements, premium, salary, new revenue streams, social insurance tax, progressive income tax, etc.
- ◆ Cost-sharing/copays/elimination period
- ◆ Incentives for continued family care supports
- ◆ Start-up costs/vesting
- ◆ Wrap-around policies
- ◆ Interaction with Medicaid/Safety Net